



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 8
999 18TH STREET - SUITE 300
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Phone 800-227-8917
<http://www.epa.gov/region08>

June 11, 2003

Ref: 8ENF-T

CERTIFIED MAIL 7002-0860-0005-3834-8002
RETURN RECEIPT REQUESTED

Bill Pennington, CFO, President
Inland Resources Inc.
410 17th Street, Suite 700
Denver, Colorado 80202

Re: **UNDERGROUND INJECTION CONTROL**
(UIC)
Proposed Administrative Order and
Opportunity to Request a Hearing

Dear Mr. Pennington:

The enclosed document is a Proposed Administrative Order and Opportunity to Request a Hearing (PAO) for violations of the Safe Drinking Water Act (SDWA). Please read the PAO soon and carefully, since it describes your rights and responsibilities in this matter as well as EPA's authority, the factual basis of the violations, and the background for the proposed penalty. Also enclosed is a copy of the Rules of Practice that govern these proceedings, and, in case you meet the criteria, an information sheet about the Small Business Regulatory Fairness Act.

Any person who violates any requirement of the UIC program is subject to enforcement action under Section 1423 of the SDWA (40 U.S.C. Section 300h-2, et seq.). Enforcement may include administrative penalties of \$5,500 per day for each violation up to a maximum penalty of \$137,500 and civil penalties of up to \$27,500 per day for each violation and will mandate compliance with all provisions of the SDWA. In addition, if the violation is willful, the SDWA authorizes criminal prosecution in accordance with Title 18 of the United States Code.

You are required to take action in less than 30 days, to avoid the possibility of having a default judgment entered against you that would impose the penalty amount in the PAO.

Whether or not you request a hearing, we encourage you to confer informally with EPA concerning the alleged violations to try to negotiate a settlement. You may wish to appear at an informal conference yourself and/or be represented by your counsel. To arrange for such a conference, please contact Jim Eppers, Enforcement Attorney, Legal Enforcement Program, at the number provided below. Request for such a conference does not extend the thirty (30) day period during which a request for hearing must be submitted.



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Public Notice of EPA's PAO and the opportunity to provide written comments on the PAO is also being provided pursuant to Section 1423 (c)(3)(B) of the SDWA (42 U.S.C. Section 300h-2(c)(3)(B)). Any person who comments on the PAO has a right to participate in the hearing, if there is one.

If you have any technical questions relating to this matter, please call Nathan Wiser, UIC Enforcement Team, Technical Enforcement Program, at (303) 312-6211. All legal questions can be directed to Jim Eppers at (303) 312-6893. Mr. Wiser and Mr. Eppers can also be reached at the following address:

Nathan M. Wiser (Mail Code 8ENF-T)
U.S. EPA Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466

or

Jim H. Eppers (Mail Code 8ENF-L)
Enforcement Attorney
U.S. EPA Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466

We urge your prompt attention to this matter.

Sincerely,

Eddie A. Sierra for/

Carol Rushin
Assistant Regional Administrator
Office of Enforcement, Compliance

Enclosures:

Proposed Administrative Order
and Opportunity to Request Hearing
40 C.F.R. Part 22
Public Notice
U.S. EPA Small Business Resources Fact Sheet

cc: D. Floyd Wopsock, Chairman, Uintah and Ouray Business Committee
Elaine Willie, Environmental Coordinator, Ute Indian Tribe

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

IN THE MATTER OF)
)
INLAND PRODUCTION COMPANY)
Vernal, Utah, and) DOCKET No. SDWA-08-2003-0034
)
INLAND RESOURCES INC.)
Denver, Colorado) PROPOSED
) ADMINISTRATIVE ORDER
Respondents) AND OPPORTUNITY TO
) REQUEST A HEARING
Proceedings Under Section 1423(c))
of the Safe Drinking Water Act,)
42 U.S.C. Section 300h-2(c))

STATUTORY AUTHORITY

This Proposed Administrative Order and Opportunity to Request a Hearing (“Order”) is issued under the authority vested in the Administrator of the U.S. Environmental Protection Agency (EPA) by Section 1423(c) of the Safe Drinking Water Act (SDWA or Act), 42 U.S.C. § 300h-2(c). Authority to take this action has been properly delegated to the Assistant Regional Administrator, Office of Enforcement, Compliance and Environmental Justice, EPA, Region 8.

FINDINGS

1. Inland Resources Inc., at all times pertinent hereto, is a corporation organized under the laws of the State of Washington authorized to do business in the State of Utah.
2. Inland Production Company, at all times pertinent hereto, is a wholly-owned subsidiary of Inland Resources Inc. and a corporation organized under the laws of the State of Texas authorized to do business in the State of Utah.

3. Inland Production Company and Inland Resources Inc. (collectively referred to as "Respondents") are "persons" within the meaning of SDWA § 1401(12), 42 U.S.C. § 300f(12).
4. Pursuant to SDWA § 1422, 42 U.S.C. § 300h-1, and 40 C.F.R. Part 147 Subpart TT, Section 147.2253, EPA administers the Underground Injection Control (UIC) program for all Indian Lands in the State of Utah. The effective date of the program is November 25, 1988. The program requirements are located at 40 C.F.R. Parts 124, 144, 146, 147, and 148.
5. Pursuant to 40 C.F.R. § 144.3, the term "Director", as used in 40 C.F.R. Parts 124, 144, and 146, means the EPA Regional Administrator in States or within the boundaries of Indian Reservations where there is no approved UIC program. With respect to Indian Lands in the State of Utah, the Director is the Regional Administrator of EPA Region 8. This authority has been properly re-delegated to the Assistant Regional Administrator, Office of Enforcement, Compliance, and Environmental Justice.
6. The Respondents own and/or operate approximately one hundred twenty-eight (128) currently active or temporarily abandoned Class II enhanced oil recovery (EOR) injection wells as defined by 40 C.F.R. §§ 144.3, 144.6(b), 146.3, and 146.5(b), located in Duchesne County, Utah, within the exterior boundaries of the Uintah & Ouray Indian Reservation.
7. The following twelve (12) EOR wells owned and/or operated by the Respondents are addressed in this Order:

Balcron Monument Federal 32-25 EOR Well
EPA UIC Permit-ID Number: UT20852-04463

Location: Uintah County/Humpback Unit/
Uintah Ouray Reservation/Utah
SW/4, NE/4, Section 25, T8S, R17E

Pomco 5 EOR Well
EPA UIC Permit-ID Number: UT20798-04313
Location: Duchesne County/Beluga Unit/
Uintah Ouray Reservation/Utah
NW/4, SW/4, Section 17, T9S, R17E

Federal 33-9H EOR Well
EPA UIC Permit-ID Number: UT20771-04271
Location: Duchesne County/Pleasant Valley Unit/
Uintah Ouray Reservation/Utah
SW/4, NE/4, Section 8, T9S, R17E

Federal 24-9H EOR Well
EPA UIC Permit-ID Number: UT20771-04269
Location: Duchesne County/Pleasant Valley Unit/
Uintah Ouray Reservation/Utah
SE/4, NW/4, Section 9, T9S, R17E

Gilsonite State 14I-32 EOR Well
EPA UIC Permit-ID Number: UT20633-04263
Location: Duchesne County/ Gilsonite Unit/
Uintah Ouray Reservation/Utah
SW/4, SW/4, Section 32, T8S, R17E

Monument Federal 31-7J EOR Well
EPA UIC Permit-ID Number: UT20642-04211
Location: Duchesne County/Jonah Unit/
Uintah Ouray Reservation/Utah
NW/4, NE/4, Section 7, T9S, R17E

Federal 13-21 EOR Well
EPA UIC Permit-ID Number: UT20702-03768
Location: Duchesne County/Boundary Unit/
Uintah Ouray Reservation/Utah
SW/4, SW/4, Section 21, T8S, R17E

Federal 42-6X EOR Well
EPA UIC Permit-ID Number: UT20653-03751
Location: Dushesne County/Coyote Basin Unit
Uintah Ouray Reservation/Utah

SE/4, NE/4, Section 6, T8S, R25E

Monument Federal 33-6 EOR Well
EPA UIC Permit-ID Number: UT20642-03736
Location: Duchesne County/Jonah Unit/
Uintah Ouray Reservation/ Utah
NW/4, SE/4, Section 6, T9S, R17E

Pariette Draw Federal 9-23 EOR Well
EPA UIC Permit-ID Number: UT20642-03736
Location: Duchesne County/Humpback Unit/
Uintah Ouray Reservation/Utah
NE/4, SE/4, Section 23, T8S, R17E

Balcron Monument Federal 34-25 EOR Well
EPA UIC Permit-ID Number: UT20852-04464
Location: Duchesne County/Humpback Unit/
Uintah Ouray Reservation/ Utah
SW/4, SE/4, Section 25, T8S, R17E

South Pleasant Valley 15-15 EOR Well
EPA UIC Permit-ID Number: UT20853-04456
Location: Duchesne County/Lone Tree Unit/
Uintah Ouray Reservation/Utah
SW/4, SE/4, Section 15, T9S, R17E

8. Pursuant to 40 C.F.R. Part 144, Subpart B, entitled "General Program Requirements,"

Section 144.11 states:

Any underground injection, except into a well authorized by rule or except as authorized by permit issued under the UIC program, is prohibited.

9. Pursuant to 40 C.F.R. Part 144, Subpart C, entitled "Authorization by Permit," Section 144.31 states that unless authorized by rule, all injection activities are prohibited until the owner or operator is authorized by permit. Pursuant to 40 C.F.R. § 144.51(a), the permittee must comply with all conditions of the permit, and any noncompliance constitutes a violation of the SDWA.

10. The Respondents are authorized to operate the EOR injection wells listed in paragraph 7 above, under EPA UIC area permit numbers UT20633, UT20642, UT20653, UT20702, UT20771, UT20798, UT20852 and UT20853. Respondents are subject to all terms and conditions of these permits and all UIC regulations.

VIOLATIONS

I. INJECTION ABOVE THE AUTHORIZED INJECTION PRESSURE

BACKGROUND

11. All UIC permits for the Respondents' wells listed in paragraph 7 contain a maximum allowable injection pressure limit, as measured at the surface. This limit exists to ensure that the pressure induced by injection will not cause propagation of existing or initiation of new fractures in the geologic injection zone, which could otherwise create pathways for fluid migration out of the designated injection zone into overlying underground sources of drinking water. In order to verify that the maximum allowable injection pressure limit is appropriate for these wells, Respondents conducted specific tests and submitted these test results to EPA. When such new data was submitted, EPA used the data results to modify the maximum allowable injection pressure limit applicable to the appropriate permitted injection well.

EPA UIC AREA PERMIT UT20633 Monument Buttes Field/Gilsonite Unit

12. EPA UIC Area Permit UT20633 became a Final Area Permit on or about November 2, 1992. UIC Area Permit UT20633 and the conditions set forth therein apply to the following EOR well:

UT20633-04263 Gilsonite State 14I-32

13. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20633 states in part that the maximum initial injection pressure measured at the surface shall not exceed **574 pounds per square inch gauge (psig)**.
14. On or about September 29, 1995, EPA modified the permit condition at Part II Section C(5)(b) for the Gilsonite State 14I-32 EOR well to limit the maximum injection pressure measured at the surface to **1061 psig**.
15. On or about November 25, 1996, EPA modified the permit condition Part II Section C(5)(b) for the Gilsonite State 14I-32 EOR well to limit the maximum injection pressure measured at the surface to **1554 psig**.
16. On or about October 4, 2000, EPA modified the permit condition at Part II Section C(5)(b) for the Gilsonite State 14I-32 EOR well to limit the maximum injection pressure measured at the surface to **1342 psig**.
17. The Respondents' **1999** Annual Monitoring Report for the Gilsonite State 14I-32 EOR well indicates the following injection pressure above the maximum allowable injection pressure (MAIP):

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
February	1554	1670
March	1554	1700

18. The Respondents' **2002** Annual Monitoring Report for the Gilsonite State 14I-32 EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
July	1342	1420

19. The Respondents violated Permit UT20633-04263 by injecting the Gilsonite State 14I-32 EOR well over the MAIP for the following periods:

In **1999** from: **February 1 through 28,**
March 1 through 31, and

In **2002** from: **July 1 through 31.**

EPA UIC AREA PERMIT UT20642
Monument Butte Field/Jonah Unit

20. EPA UIC Area Permit UT20642 became a Final Area Permit on or about December 22, 1992. UIC Area Permit UT20633 and the conditions set forth therein apply to the following EOR wells:

UT20642-03736	Monument Federal 33-6 EOR well
UT20642-04211	Monument Federal 31-7J EOR well.

21. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20633 states in part that the maximum initial injection pressure measured at the surface shall not exceed **1750 psig**.
22. On or about January 29, 1993, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 33-6 EOR well to limit the maximum injection pressure measured at the surface to **2000 psig**.
23. On or about March 19, 1997, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 33-6 EOR well to limit the maximum injection pressure measured at the surface to **2200 psig**.

24. On or about March 9, 2000, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 33-6 EOR well to limit the maximum injection pressure measured at the surface to **2120 psig**.

25. The Respondents' **2000** Annual Monitoring Report for the Monument Federal 33-6 EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
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July	2120	2140
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26. The Respondents violated Permit UT20642-03736 by injecting into the Monument Federal 33-6 EOR well over the MAIP for the following periods:

In **2000** from: **July 1 through 31**.

27. On or about January 29, 1993, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 31-7J EOR well to limit the maximum injection pressure measured at the surface to **2000 psig**.

28. On or about March 19, 1997, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 31-7J EOR well to limit the maximum injection pressure measured at the surface to **2200 psig**.

29. On or about March 10, 2000, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 31-7J EOR well to limit the maximum injection pressure measured at the surface to **2085 psig**.

30. On or about October 2, 2001, EPA modified the permit condition at Part II Section C(5)(b) for the Monument Federal 31-7J EOR well to limit the maximum injection pressure measured at the surface to **2120 psig**.

31. The Respondents' **1999** Annual Monitoring Report for the Monument Federal 31-7J EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
January	2200	2250
September	2200	2775

32. The Respondents' **2000** Annual Monitoring Report for the Monument Federal 31-7J EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
December	2085	2100

33. The Respondents violated Permit UT20642-03736 by injecting into the Monument Federal 31-7J EOR well over the MAIP for the following periods:

In **1999** from: **January 1 through 31,**
September 1 through 30, and

In **2000** from: **December 1 through 31.**

EPA UIC AREA PERMIT UT20702
Boundary Field/Boundary Field Unit

34. EPA UIC Area Permit UT20702 became a Final Area Permit on or about February 8, 1994. UIC Area Permit UT20702 and the conditions set forth therein apply to the following EOR well:

UT20702-03768 Federal 13-21 EOR well.

35. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20702 states in part that the maximum initial injection pressure measured at the surface shall not exceed **1800 psig**.

36. On or about February 18, 2000, EPA modified the permit condition at Part II Section C(5)(b) for the Federal 13-21 EOR well to limit the maximum injection pressure measured at the surface to **925 psig**.

37. The Respondents' **2000** Annual Monitoring Report for the Federal 13-21 EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
March	925	970

38. The Respondents violated Permit UT20702-03768 by injecting into the Federal 13-21 EOR well over the MAIP for the following periods:

In **2000** from: **March 1 through 31**.

EPA UIC AREA PERMIT UT20771
Pleasant Valley Field/Pleasant Valley Unit

39. EPA UIC Area Permit UT20771 became a Final Area Permit on or about November 6, 1995. UIC Area Permit UT20771 and the conditions set forth therein apply to the following EOR wells:

UT20771-04269	Federal 24-9H EOR well
UT20771-04271	Federal 33-9H EOR well.

40. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20771 states in part that the maximum initial injection pressure measured at the surface shall not exceed **1652 psig**. This permit condition for the Federal 24-9H EOR well has not been modified since then.

41. The Respondents' **1999** Annual Monitoring Report for the Federal 24-9H EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
January	1652	1700
February	1652	1700
May	1652	1790

42. The Respondents' **2002** Annual Monitoring Report for the Federal 24-9H EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
July	1652	1660

43. The Respondents violated Permit UT20771-04269 by injecting into the Federal 24-9H EOR well over the MAIP for the following periods:

In **1999** from: **January 1 through 31,**
February 1 through 28,
May 1 through 31, and

In **2002** from: **July 1 through 31.**

44. On or about July 19, 1999, EPA modified the permit condition at Part II Section C(5)(b) for the Federal 33-9H EOR well to limit the maximum injection pressure measured at the surface to **1738 psig.**

45. On or about November 26, 2001, EPA modified the permit condition at Part II Section C(5)(b) for the Federal 33-9H EOR well to limit the maximum injection pressure measured at the surface to **1710 psig.**

46. The Respondents' **1999** Annual Monitoring Report for the Federal 33-9H EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
January	1652	1700
February	1652	1700

March	1652	1725
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47. The Respondents' **2000** Annual Monitoring Report for the Federal 33-9H EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
March	1738	1740
July	1738	1745

48. The Respondents violated Permit UT20771-04271 by injecting into the Federal 33-9H EOR well over the MAIP for the following periods:

In **1999** from: **January 1 through 31,**
February 1 through 28,
March 1 through 31, and

In **2000** from: **March 1 through 31,**
July 1 through 31.

EPA UIC AREA PERMIT UT20852
Humpback Field

49. EPA UIC Area Permit UT20852 became a Final Area Permit on or about October 8, 1998. UIC Area Permit UT20852 and the conditions set forth therein apply to the following EOR well:

UT20852-04463 Balcron Monument Federal 32-25 EOR well.

50. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20852 states in part that the maximum initial injection pressure measured at the surface shall not exceed **1752 psig**.
51. On or about January 5, 1999, EPA modified the permit condition at Part II Section C(5)(b) for the Balcron Monument Federal 32-25 EOR well to limit the maximum injection pressure measured at the surface to **1587 psig**.

52. On or about February 10, 2000, EPA modified the permit condition at Part II Section C(5)(b) for the Balcron Monument Federal 32-25 EOR well to limit the maximum injection pressure measured at the surface to **947 psig**.

53. The Respondents' **2000** Annual Monitoring Report for the Balcron Monument Federal 32-25 EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
October	947	1160

54. The Respondents violated Permit UT20852-04463 by injecting into the Balcron Monument Federal 32-25 EOR well over the MAIP for the following periods:

In **2000** from: **October 1 through 31**.

EPA UIC AREA PERMIT UT20853
Lone Tree Field

55. EPA UIC Area Permit UT20853 became a Final Area Permit on or about September 1, 1998. UIC Area Permit UT20853 and the conditions set forth therein apply to the following EOR well:

UT20853-04456 South Pleasant Valley 15-15 EOR well.

56. As originally issued, the permit condition at Part II Section C(5)(b) of EPA UIC Permit UT20853 states in part that the maximum initial injection pressure measured at the surface shall not exceed **1365 psig**.

57. On or about February 1, 1999, EPA modified the permit condition at Part II Section C(5)(b) for the South Pleasant Valley 15-15 EOR well to limit the maximum injection pressure measured at the surface to **1327 psig**.

58. On or about April 6, 2001, EPA modified the permit condition at Part II Section C(5)(b) for the South Pleasant Valley 15-15 EOR well to limit the maximum injection pressure measured at the surface to **1480 psig**.
59. The Respondents' **2001** Annual Monitoring Report for the South Pleasant Valley 15-15 EOR well indicates the following injection pressure above the MAIP:

	<u>AUTHORIZED MAXIMUM PRESSURE</u>	<u>ACTUAL MAXIMUM PRESSURE</u>
March	1327	1330

60. The Respondents violated Permit UT20853-04456 by injecting into the South Pleasant Valley 15-15 EOR well over the MAIP for the following periods:

In **2001** from: **March 1 through 31**.

II. FAILURE TO TIMELY DEMONSTRATE MECHANICAL INTEGRITY

BACKGROUND

61. A well has mechanical integrity if there is no significant leak from its annulus (bounded by the longstring casing, tubing, packer and wellhead) and no significant leak through channels adjacent to the wellbore behind the longstring casing. A well with mechanical integrity does not directly leak injected fluid or formation fluid into an underground source of drinking water. Demonstrations of mechanical integrity are periodically required to ensure that injection wells maintain mechanical integrity. By regulation and permit, the longest period of time that may pass between demonstrations of mechanical integrity is five years.

62. EPA UIC Area Permit UT20633 became a Final Area Permit on or about November 2, 1992. UIC Area Permit UT20633 and the conditions set forth therein apply to the following EOR well:

UT20633-04263 Gilsonite State 14I-32

63. Permit condition at Part II Section C(3)(b) of EPA UIC Permit UT20633 states in part that a demonstration of mechanical integrity shall be made at regular intervals, no less frequently than once every five years.
64. On August 9, 1995, a successful demonstration of mechanical integrity at the Gilsonite State 14I-32 EOR well was made. Another demonstration of mechanical integrity was due on or before August 9, 2000.
65. On June 6, 2001, EPA notified the Respondents that a demonstration of mechanical integrity was past due at the Gilsonite State 14I-32 EOR well.
66. The next demonstration of mechanical integrity at the Gilsonite State 14I-32 EOR well was made by the Respondents on July 2, 2001.
67. The Respondents violated Permit UT20633-04263 by failing to timely demonstrate the mechanical integrity of the Gilsonite State 14I-32 EOR well for the following period:
- In **2000** from: **August 10 through December 31**, and.
- In **2001** from: **January 1 through July 1**.

EPA UIC AREA PERMIT UT20642
Monument Butte Field/Jonah Unit

68. EPA UIC Area Permit UT20642 became a Final Area Permit on or about December 22, 1992. UIC Area Permit UT20642 and the conditions set forth therein apply to the following EOR well:

UT20642-04211 Monument Federal 31-7J

69. Permit condition at Part II Section C(3)(b) of EPA UIC Permit UT20642 states in part that a demonstration of mechanical integrity shall be made at regular intervals, no less frequently than once every five years.
70. On October 14, 1994, a successful demonstration of mechanical integrity at the Monument Federal 31-7J EOR well was made. Another demonstration of mechanical integrity was due on or before October 14, 1999.
71. The next demonstration of mechanical integrity at the Monument Federal 31-7J EOR well was made by the Respondents on April 19, 2000.
72. The Respondents violated Permit UT20642-04211 by failing to timely demonstrate the mechanical integrity of the Monument Federal 31-7J EOR well for the following period:

In **1999** from: **October 15 through December 31**, and.

In **2000** from: **January 1 through April 18**.

EPA UIC AREA PERMIT UT20653
Coyote Basin Field

73. EPA UIC Area Permit UT20653 became a Final Area Permit on or about February 18, 1994. UIC Area Permit UT20653 and the conditions set forth therein apply to the following EOR well:

UT20653-03751 Coyote Basin Federal 42-6X

74. Permit condition at Part II Section C(3)(b) of EPA UIC Permit UT20653 states in part that a demonstration of mechanical integrity shall be made at regular intervals, no less frequently than once every five years.

75. On March 14, 1994, a successful demonstration of mechanical integrity at the Coyote Basin Federal 42-6X EOR well was made. Another demonstration of mechanical integrity was due on or before March 14, 1999.
76. On June 15, 1999, EPA notified the Respondents that a demonstration of mechanical integrity was past due at the Coyote Basin Federal 42-6X EOR well.
77. The next demonstration of mechanical integrity at the Coyote Basin Federal 42-6X EOR well was made by the Respondents on June 25, 1999.
78. The Respondents violated Permit UT20653-03751 by failing to timely demonstrate the mechanical integrity of the Coyote Basin Federal 42-6X EOR well for the following period:

In 1999 from: **March 15 through June 24.**

PROPOSED ORDER WITH ADMINISTRATIVE CIVIL PENALTY

79. Pursuant to Section 1423 (a) of the Act, 42 U.S.C. §300h-2(a), and based on the foregoing findings, after taking into account: (1) Respondents' alleged violations are serious and a threat to human health and the environment; (2) Respondents gained an economic advantage over their competition by virtue of their late mechanical integrity demonstration violations; (3) EPA is aware that Respondents have a history of violations such as these alleged in the complaint; (4) EPA is unaware of good faith efforts by Respondents to comply with applicable UIC regulations; (5) EPA has no basis to believe that the proposed penalty is one which would have a severe economic impact on Respondents; and (6) such other matters as justice may require, including the Administrative Record, **EPA HEREBY ORDERS:**

80. Respondents shall pay an administrative civil penalty (the "Penalty") of ninety-three thousand six hundred eighty-four dollars (**\$93,700.00**), for its violations of the UIC Program requirements, as described above in paragraphs 11 through 78 herein. Payment must be made by money order or certified check made payable to "Treasurer, United States of America" and reference the docket number of this action. Such payment shall be mailed within thirty (30) days of the effective date of this Order to the following address:

EPA - Region 8
Regional Hearing Clerk
P.O. Box 360859
Pittsburgh, Pennsylvania 15251.

A copy of said check shall be mailed to the following persons:

Tina Artemis, Regional Hearing Clerk (8RC) and
Jim Eppers, Enforcement Attorney (8ENF-L)
U.S. EPA - Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466.

81. Respondents shall perform such testing and submit such information necessary to ensure that the operation of all EOR wells specified in paragraph 7 herein with alleged violations of their respective MAIP have not initiated new or propagated existing fractures in the zone confining the injection formation. The Respondents shall perform the above tests on all of the wells where needed within 100 days of the receipt of this Order. The Respondents shall submit a plan for performing the tests on the wells to EPA within 14 days of receipt of this Order. This plan shall include a proposal of what type of test(s) are planned, the proposed procedure(s) to be used and a schedule for performing those test(s) for approval by EPA and to allow EPA to witness the test(s).

82. The Respondents shall submit all well monitoring observation records for each of the wells listed in paragraph 7 herein for each month that the well was documented over the current MAIP between 1998 and 2002.

NOTICE OF OPPORTUNITY TO REQUEST A HEARING

83. Under Section 1423(c)(3)(A) of the Safe Drinking Water Act, 42 U.S.C. § 300h-2(c)(3)(A), Respondents may request, within thirty (30) days of receiving this Order, a hearing on this matter. Such request (also referred to as “Answer” and defined in 40 C.F.R. §22.15) must be made in writing and must specify the factual and legal issues in dispute and the specific factual and legal grounds for Respondents’ defense(s). At the hearing, Respondents may contest any material fact set forth herein and the propriety of the proposed penalty described above. The procedures for a hearing, if one is requested, are set out in 40 C.F.R. Part 22, Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination, or Suspension of Permits, Rule dated July 23, 1999 64 Federal Register 141, a copy of which is enclosed with this Order. If Respondent does not request a hearing, EPA may finalize this Order, thereby assessing the full penalty proposed above.
84. Respondents must send any request for a hearing to:

Tina Artemis
Regional Hearing Clerk
U.S. Environmental Protection Agency Region 8 (Mail Code 8RC)
999 18th Street, Suite 300
Denver, Colorado 80202-2466

85. Respondents are advised that EPA is required to notify the public about this action, and that members of the public have a right under SDWA § 1423(c)(3)(B), 42 U.S.C. § 300h-2(c)(3)(B), to comment on this matter. Those members of the public who comment will also have the right to present evidence and be heard at any hearing on this matter.
86. EPA will review any comments submitted on this Order and will thereafter determine whether to modify or withdraw the Order or whether to adjust the penalty.

GENERAL PROVISIONS

87. This Order does not constitute a waiver, suspension, or modification of the requirements of EPA UIC area permit numbers UT20633, UT20642, UT20653, UT20702, UT20771, UT20798, UT20852 and UT20853, or any other applicable provision of the Act or the regulations implementing the Act, which remain in full force and effect. Issuance of this Order is not an election by the EPA to forego any civil or any criminal action otherwise authorized under the Act.
88. The provisions of this Order shall apply to and be binding upon Respondents and their respective officers, directors, agents, successors or assigns.
89. Violations of the terms of this Order after its effective date (or, if applicable, the date of final judgement as described in SDWA § 1423(c)(6)) may subject Respondents to further enforcement action. As described in SDWA § 1423(b), 42 U.S.C. § 300h-2(b)(1) and (2), further enforcement action may include civil judicial action for injunctive relief, with possible civil penalties of up to \$27,500.00 for each day of violation, criminal penalties, or both.

EFFECTIVE DATE

Pursuant to SDWA §1423(c)(3)(D), 42 U.S.C. § 300h-2(c)(3)(D), this Order becomes effective thirty (30) days after the date of issuance noted below, unless an appeal is taken pursuant to SDWA § 1423(c)(6).

Issued this 11 day of June, 2003.

By: Eddie A. Sierra for/
Carol Rushin
Assistant Regional Administrator
Office of Enforcement, Compliance and
and Environmental Justice
U.S. Environmental Protection Agency, Region 8
999 18th Street, Suite 300
Denver, CO 80202-2466

CERTIFICATE OF SERVICE

Docket No. SDWA-08-2003-0034

I hereby certify that the original and a true copy of the Proposed Administrative Order and Opportunity to Request a Hearing bearing the above-referenced Docket number were hand-carried to the Regional Hearing Clerk, EPA Region 8, 999 18th Street, Denver, Colorado, and that a true copy of the same was sent via Certified Mail Return Receipt Requested mail to:

Bill Pennington, CFO, President
Inland Resources Inc.
410 17th Street, Suite 700
Denver, Colorado 80202

Dated: June 11, 2003

By: SIGNED
Judith McTernan

IF YOU WOULD LIKE COPIES OF THE ATTACHMENTS PLEASE CONTACT THE REGIONAL HEARING CLERK.

THIS DOCUMENT WAS FILED IN THE RHC'S OFFICE ON JUNE 11, 2003.